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June 7, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-7

Dear Ms. Cottrell:

Bay State Gas Company ("Bay State" or the "Company") requests permission, pursuant to 220 CMR 1.04(5), to submit this supplemental reply letter. As grounds therefore, the Attorney General has raised in his Reply Brief an issue concerning the timing of long-range forecast and supply plan filings which appears to be one of general applicability to all gas companies. In his Initial Brief, the Attorney General raised an issue as to the timing of Bay State's next forecast and supply plan filing, but in his Reply Brief, the Attorney General has broadened his argument, and therefore Bay State believes a further response is necessary in this supplemental reply letter.

In addition, in his Reply Brief the Attorney General has raised for the first time certain issues with respect to Bay State's proposed gas supply and capacity agreement with Northeast Energy Associates ("NEA") which require a supplemental response by Bay State.

1. Timing of Gas Company Long-Range Forecast and Supply Plan Filings

In his Reply Brief in response to the Company's statement that it planned to file its forecast and supply plan in October, 2006, the Attorney General argues that a gas company should file its long-range forecast and supply plan every two years, regardless of when the Department issues an order on the Company's prior plan. AG Reply Br. 2.

It does not appear that the Attorney General is aware of the Department's practice of requiring gas companies to file long-range forecasts and supply plans within two years from the date of the Department's final order on a company's prior long-range forecast and supply plan.

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For example, KeySpan's prior long-range forecast was submitted for approval on November 30, 2001, and the Department issued an order on January 30, 2003 in which it directed KeySpan to file its next long-range forecast approximately two years after the order, by March 1, 2005. KeySpan Energy Delivery New England, D.T.E. 01-105. Fitchburg Gas & Electric Light Company submitted a long-range forecast on May 9, 2003, and the Department issued an order on that forecast on August 13, 2004 in which Fitchburg was directed to file its next long-range forecast with the Department approximately two years after the order, by June 30, 2006. Fitchburg Gas and Electric Light Company, D.T.E. 03-52. In a Berkshire Gas Company long-range forecast proceeding, the forecast was filed on March 15, 2002 and the Department issued an order on February 5, 2003 directing Berkshire to file its next long-range forecast with the Department by January 31, 2005, approximately two years after the order. Berkshire Gas Company, D.T.E. 02-17. The same procedure was followed for Blackstone Gas Company which submitted a forecast on October 25, 2000, and in an order dated May 4, 2001, the Department directed Blackstone to file its next long-range forecast and supply plan with the Department by May 1, 2003, two years after the order. Blackstone Gas Company, D.T.E. 00-81.

The Department's review of a long-range forecast and supply plans takes a number of months, and the procedure suggested by the Attorney General, where a company would file a forecast every two years without having the benefit of the Department's review and findings on the prior forecast, would be impractical and administratively unworkable. It would result in a pancaking of forecast filings without companies having the opportunity to review and modify their forecast plans based on the Department's analysis and orders on the prior plan. The procedure suggested by the Attorney General would also create additional cost and administrative burdens for the Department and all parties to a forecast proceeding and would make the orderly review of long-range forecasts and supply plans more complicated. In contrast, the current procedure allows the Department time to review a company's long-range forecast and supply plan and issue an order, and then allows a company time to respond to the Department's order in its next long-range forecast and supply plan.

The Legislature recognized that some flexibility might be required with respect to the review of long-range forecast and supply plans by permitting the Department to exempt gas and electric companies from the provisions of M.G.L. c. 164, § 69I, after notice and hearing, if an alternative process would be in the public interest. The Department directives requiring the filing of forecasts two years after a final order in the prior forecast proceeding appear to be such an alternative and are issued after notice and comprehensive hearings on the forecast where the issues with respect to the contents of, and the appropriate time for, the next filing are considered. Furthermore, the Department has broad powers to establish rules consistent with M.G.L. Chapter 164. Cambridge Electric Light Company v. Department of Public Utilities, 295 N.E. 2d 876, 888 (1973). The Department's forecast filing rules are clearly consistent with an orderly and efficient review of gas company long-range forecast and supply plans.

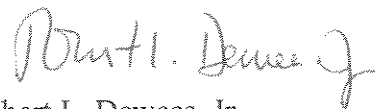
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2. New Arguments Raised by the Attorney General on the Proposed NEA Agreement

The Attorney General asserts that the Company would have only 60 days to find peaking gas supplies should NEA assign its capacity to Bay State, and that "[t]his replacement peaking gas supply will almost certainly be extremely expensive". AG Reply Br. 2. However, the Attorney General provided no evidence that 60 days was an insufficient period in which to obtain such supply or that the supply obtained would be "extremely expensive". To the contrary, Mr. DaFonte indicated that if the NEA supply terminates with the assignment of capacity to Bay State, the Company will be able to procure its own supply at Niagara, which is a liquid trading point. Tr. 20. Also, without support, the Attorney General claims that the Company's supply resources are unduly concentrated in the Western Canada/Midwest regions. AG Reply Br. 2, fn 4. This claim does not recognize the diversity of supply that will be contributed to Bay State's portfolio by the NEA Agreement whereby NEA will provide supply to Bay State at the interconnection of Transcontinental Gas Pipe Line Corporation and Algonquin Gas Transmission Company near Centerville, New Jersey. There is insufficient evidence in the record of this proceeding for the Department to adopt either of the above arguments put forth by the Attorney General in his Reply Brief.

In conclusion, Bay State requests that the Department approve the proposed Supply and Capacity Agreement with NEA.

Very truly yours,



Robert L. Dewees, Jr.

RLD/tlm

cc: Jessie S. Reyes, Hearing Officer
Andreas Thanos, Assistant Director, Gas Division
Ken Dell Orto, Analyst, Gas Division
Jamie M. Tosches, Assistant Attorney General

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

BAY STATE GAS COMPANY)
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_____)

D.T.E. 06-7

**RESPONSE OF BAY STATE GAS COMPANY
TO THE ATTORNEY GENERAL'S MOTION TO STRIKE
SECTIONS OF BAY STATE'S REPLY BRIEF**

On June 1, 2006 the Attorney General moved to strike a statement in Bay State's Reply Letter that indicated Bay State had sought guidance from the Department on the filing date for its next long-range forecast and supply plan. The basis for the Attorney General's Motion is his contention that the Company's statement was not sufficiently supported on the record. Motion to Strike, p. 3.

Bay State's statement in its Reply Letter was merely a clarifying statement with respect to testimony of the Company's witness in this proceeding, Mr. DaFonte, as to the October, 2006 filing date for the Company's next forecast and supply plan. During the hearing, Mr. DaFonte indicated that he believed that the October, 2006 filing date was a result of the Department's order on Bay State's Motion for Reconsideration in the Company's most recent forecast and supply plan proceeding, D.T.E. 02-75. Tr. 35. The October, 2006 filing date is two years from the Department's order on the Company's Motion for Reconsideration in that proceeding. D.T.E. 02-75-A (October 22, 2004). As set forth in the Company's supplemental reply letter filed simultaneously with this Response, this filing date is entirely consistent with the Department's practice with respect to gas company long-range forecast and supply plan filings. However, since the D.T.E. 02-75-A order was silent as to the next forecast filing date, the

Company sought guidance from the Department. The Company's statement in its Reply Letter simply clarified a statement made by its witness at the hearing on a procedural issue.

As grounds for the Motion to Strike the Attorney General cites 220 CMR §1.10(1) for the proposition that all unsworn statements appearing in the record shall not be considered as evidence on which a decision may be based. However, the Department rules also provide that for good cause the Commission and any presiding officer may permit a deviation from the Department's rules. 220 CMR §1.01(4). The Company believes this is an occasion where good cause exists for the Department to waive the rule cited by the Attorney General.

For the above reasons, the Attorney General's Motion to Strike should be denied. If the Department determines to grant the Attorney General's Motion to Strike, the Department can take administrative notice of its long-standing practice that forecast and supply plans are filed approximately two years after the Department's final order in the prior forecast and supply plan proceeding.

Respectfully submitted,

BAY STATE GAS COMPANY

By its attorneys,



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CERTIFICATION

I certify that I served today a copy of the attached Response of Bay State Gas Company to the Attorney General's Motion to Strike Sections of Bay State's Reply Brief by hand delivery, first class mail postage prepaid or electronically on the Department of Telecommunications and Energy and all parties on the service list on file with the Secretary of the Department of Telecommunications and Energy for this proceeding.

Dated at Boston, Massachusetts this 7th day of June 2006.



Robert L. Dewees, Jr.